

CITY OF LONG GROVE, IOWA
ANNUAL FINANCIAL REPORT

June 30, 2009

**CITY OF LONG GROVE, IOWA
TABLE OF CONTENTS**

Page

INDEPENDENT AUDITOR'S REPORT

1 to 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

3 to 7

FINANCIAL STATEMENTS

Government wide statements

- Statement of net assets – cash basis 8
- Statement of activities – cash basis 9

Governmental fund statements

- Statement of assets, liabilities and fund balances – cash basis
governmental funds 10
- Statement of revenues, expenditures and changes in
fund balances - cash basis – governmental funds 11

Business type fund statements

- Statement of net assets – cash basis
business type activities funds 12
- Statement of revenues, expenditures and changes in
fund net assets - cash basis – business type activities funds 13
- Statement of cash flows – cash basis
business type activities funds 14
- Notes to financial statements 15 to 24

Required supplementary information

- Budgetary comparison schedule of receipts, disbursements
and changes in fund balances 25

Officials	<u>Page</u> 26
Financial Statements of Individual Funds	
<i>General fund</i>	
Comparative statement of assets and liabilities cash basis	27
Statement of revenue received, expenditures disbursed and changes in fund balance – cash basis compared to budget	28
Statement of expenditures disbursed, by division cash basis - compared to budget	
Public safety and public works divisions	29
Culture and recreation: Community and economic development divisions	30
General government division	31
<i>Special revenue funds</i>	
Combining statement of assets and liabilities and fund balances - cash basis	32
Combining statement of revenue received, expenditures disbursed and changes in fund balances - cash basis	33
<u>Road Use Tax Fund</u>	
Statement of revenue received, expenditures disbursed and changes in fund balance - cash basis compared to budget	34
<u>Local Option Sales Tax Fund</u>	
Statement of revenue received, expenditures disbursed and changes in fund balance - cash basis compared to budget	35
<u>Debt Service Fund</u>	
Statement of revenue received, expenditures disbursed and changes in fund balance - cash basis compared to budget	36

	<u>Page</u>
<i>Enterprise funds</i>	
Combining statement of assets, liabilities and net assets - cash basis	37
Combining statement of revenue received, expenditures disbursed and changes in net assets - cash basis	38
<i>Water Fund</i>	
Statement of revenue received, expenditures disbursed and changes in net assets - cash basis compared to budget	39
<i>Sewer Fund</i>	
Statement of revenue received, expenditures disbursed and changes in net assets - cash basis compared to budget	40
<i>Electric Fund</i>	
Statement of revenue received, expenditures disbursed and changes in net assets - cash basis compared to budget	41

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Independent Auditor's Report

To the Mayor and City Council
City of Long Grove, Iowa
Long Grove, Iowa

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Long Grove, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

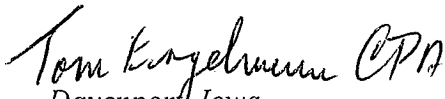
As described in Note 1, the City of Long Grove prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than United States generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities and each major fund of the City of Long Grove, Iowa, as of June 30, 2009, and the respective changes in financial position – cash basis and cash flows – cash basis, where applicable thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis on pages 3 to 8 and the budgetary comparison schedule of receipts, disbursements and changes in fund balances on page 25 are not a required part of the basic financial statements but are supplementary information required by the *Government Accounting Standards Board*. I have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report, dated December 22, 2009, on my consideration of the City of Long Grove's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Long Grove's basic financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the financial statements. The combining and individual fund financial statements for June 30, 2009, have been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, are stated fairly in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.


Davenport, Iowa
December 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Long Grove provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow:

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately \$41,000 from fiscal 2008 to fiscal 2009. Property tax receipts increased approximately \$60,000.
- Disbursements of the City's governmental activities decreased approximately \$38,000 in fiscal year 2009 from fiscal year 2008.
- The City's total net assets increased approximately \$249,500 from fiscal 2008 to fiscal 2009 due to the wastewater treatment facility completion. Of this amount, the assets of the governmental activities decreased approximately \$155,946 and the assets of the business type activities increased by approximately \$415,400.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the city's financial activities.

The government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more details than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not represent financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets represents the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and capital projects. Property tax and Local Option Sales Tax Funds finance nearly all of the activities not related to the utilities.
- Business Type Activities include water, sewer and electric systems. These activities are financed by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end are available for spending. The governmental funds include: 1) General Fund, 2) Special Revenue Funds, such as Road Use Tax, and 3) Local Option Sales Tax fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements (Continued)

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's enterprise funds. Enterprise funds are used to report business type activities. The City maintains three proprietary funds to provide separate information for the water, sewer and electric funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets may serve over time as a useful indicator of financial position. The City's balance for governmental activities decreased from a year ago to (\$341,461). The analysis that follows focuses on the changes in cash balance for governmental activities.

The City's local receipts for governmental activities increased by \$41,000. The total cost of all programs and services decreased by approximately \$60,500 with no new programs added this year. The increase is due to increased valuations and the business type activities.

The City increased property tax rates for General Obligation debt. Based upon increases in the total assessed valuations, property tax receipts are budgeted to increase by an additional \$76,000 next year.

Total business type activities receipts for the fiscal year were \$638,848 compared to \$537,683 last year. Total business type activities disbursements for the fiscal year were \$449,780 compared to \$472,649 last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL MAJOR GOVERNMENT FUND ANALYSIS

The following are major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$85,000 from the prior year to \$402,270.
- The Road Use Tax Fund cash balance decreased \$30,000 during the fiscal year to \$35,446. This was due to increased road/street repair and fuel costs.
- The Local Option Sales Tax Fund increased by \$59,000 to \$263,823 during the fiscal year. This was attributable to the decreased expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$45,500 to \$350,806, due primarily to increase usage and lower expenditures than budgeted.
- The Sewer Fund cash balance decreased by \$35,000 to (\$82,232), due primarily to costs associated with the new wastewater treatment facility.
- The Electric Fund cash balance increased by \$34,600 to \$439,257, due primarily to decreased expenditures.

BUDGETARY HIGHLIGHTS

The budget was amended in May of 2009 primarily due to unknown wastewater treatment facility cost when Fiscal 09 budget was prepared.

DEBT ADMINISTRATION

As of June 30, 2009 the City has a State Revolving Loan in the amount of \$2,094,000. Fifty percent of the loan is in General Obligation Bonds and fifty percent is in Revenue Bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Long Grove elected officials considered many factors when setting the fiscal year 2010 budget, tax rates, and fees charged for various City activities. These factors included projected needs for services, anticipated costs of supporting the City and projected receipts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

These indicators were taken into account when adopting the budget for fiscal year 2010. Budgeted disbursements are expected to decrease due to completion of the wastewater treatment facility. An unanticipated disbursement at the time of 2010 budget preparation could be the shared (Long Grove, Eldridge, County and State, DOT) cost of a recreational path between Long Grove and Eldridge. The State DOT will review grant requests in 2010. If the grant is not approved, no disbursements will be necessary. The City has added no new major new program funds or initiatives to the 2010 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Susan Lensch Mahannah, City Clerk, 104 S. First Street, Long Grove, Iowa 563-285-4904.

CITY OF LONG GROVE, IOWA

STATEMENT OF NET ASSETS - CASH BASIS

June 30, 2009

	Governmental Activities	Business Type Activities	Totals
<i>ASSETS</i>			
Cash	\$ 458,777	\$ (10,407)	\$ 448,370
Certificates of deposit	241,762	686,392	928,154
Construction in process	---	2,479,734	2,479,734
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 700,539</u>	<u>\$ 3,155,719</u>	<u>\$ 3,856,258</u>
 <i>LIABILITIES AND NET ASSETS</i>			
<i>Liabilities - Note 3</i>			
Due within one year	\$ 42,000	\$ 42,000	\$ 84,000
Due in more than one year	1,000,000	1,005,000	2,005,000
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,042,000</u>	<u>1,047,000</u>	<u>2,089,000</u>
 <i>Net assets</i>			
Debt assumed for capital assets	(1,042,000)	---	(1,042,000)
Restricted for other purposes	266,422	---	266,422
Unrestricted, undesignated	434,117	2,108,719	2,542,836
	<hr/>	<hr/>	<hr/>
Total net assets (deficit)	<u>(341,461)</u>	<u>2,108,719</u>	<u>1,767,258</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 700,539</u>	<u>\$ 3,155,719</u>	<u>\$ 3,856,258</u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA
STATEMENT OF ACTIVITIES - CASH BASIS

For the Year Ended June 30, 2009

	Governmental Activities	Business Type Activities	Totals
<i>Revenue received</i>			
Property taxes	\$ 233,982	\$ ---	\$ 233,982
Franchise fees	4,584	---	4,584
State shared revenues	49,533	---	49,533
Local option tax	74,326	---	74,326
Permits and fees	7,502	---	7,502
Interest	7,429	21,968	29,397
Miscellaneous	7,155	15,158	22,313
Grant	7,377	---	7,377
Charges for services	---	601,722	601,722
Total revenue received	<u>391,888</u>	<u>638,848</u>	<u>1,030,736</u>
<i>Expenditures disbursed</i>			
Public safety	32,951	---	32,951
Public works	140,417	---	140,417
Culture and recreation	40,392	---	40,392
Community and economic development	2,710	---	2,710
General government	38,763	---	38,763
Water, sewer, electric expenditures	---	449,780	449,780
Total expenditures disbursed	<u>255,233</u>	<u>449,780</u>	<u>705,013</u>
Excess of revenue received over expenditures disbursed	136,655	189,068	325,723
<i>Other financing sources (uses)</i>			
Transfers in (out)	(293,944)	293,944	---
General obligation debt assumed	1,042,000	---	1,042,000
Interfund borrowing in (out)	31,847	(31,847)	---
Debt service interest paid	(30,504)	(35,771)	(66,275)
Total other financing sources (uses)	<u>749,399</u>	<u>226,326</u>	<u>975,725</u>
Change in net assets	886,054	415,394	1,301,448
<i>Net assets (deficit), beginning of year</i>	<u>(185,515)</u>	<u>1,693,325</u>	<u>1,507,810</u>
<i>Net assets, end of year</i>	<u>\$ 700,539</u>	<u>\$ 2,108,719</u>	<u>\$ 2,809,258</u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash	\$ 385,480	\$ 73,297	\$ 458,777
Certificates of deposit	16,790	224,972	241,762
Total assets	<u>\$ 402,270</u>	<u>\$ 298,269</u>	<u>\$ 700,539</u>
LIABILITIES			
Interfund loan payable	\$ ---	\$ 31,847	\$ 31,847
FUND BALANCES			
Restricted for			
Other purposes	---	266,422	266,422
Unreserved, undesignated	402,270	---	402,270
Total fund balances	<u>402,270</u>	<u>266,422</u>	<u>668,692</u>
Total liabilities and fund balances	<u>\$ 402,270</u>	<u>\$ 298,269</u>	<u>\$ 700,539</u>

Reconciliation to Statement of Net Assets:

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds

(1,042,000)

Net assets (deficit) of governmental activities

\$ (341,461)

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2009

	General Fund	Special Revenue Funds	Total Governmental Funds
<i>Revenue received</i>			
Property taxes	\$ 195,325	\$ 38,657	\$ 233,982
Franchise fee	4,584	---	4,584
Road uses tax	---	49,533	49,533
Local option sales tax	---	74,326	74,326
Building and construction	6,123	---	6,123
Miscellaneous charges	7,154	---	7,154
Alcohol control	439	---	439
Cigarette permits	75	---	75
Grant received	7,377	---	7,377
Interest	629	6,800	7,429
Charges / fees	866	---	866
Total revenue received	<u>222,572</u>	<u>169,316</u>	<u>391,888</u>
<i>Expenditures disbursed</i>			
Public safety	32,951	---	32,951
Public works	38,387	102,030	140,417
Culture and recreation	40,392	---	40,392
Community and economic development	2,710	---	2,710
General government	38,763	---	38,763
Total expenditures disbursed	<u>153,203</u>	<u>102,030</u>	<u>255,233</u>
Excess of revenue received over expenditures disbursed	69,369	67,286	136,655
<i>Other financing sources (uses)</i>			
Transfers in (out)	16,004	(309,948)	(293,944)
Debt service paid	---	(71,504)	(71,504)
Debt proceeds received	---	309,948	309,948
Total other financing sources (uses)	<u>16,004</u>	<u>(71,504)</u>	<u>(55,500)</u>
Net changes in fund balances	85,373	(4,218)	81,155
<i>Fund balances, beginning of year</i>	<u>316,897</u>	<u>270,640</u>	<u>587,537</u>
<i>Fund balances, end of year</i>	<u><u>\$ 402,270</u></u>	<u><u>\$ 266,422</u></u>	<u><u>\$ 668,692</u></u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

STATEMENT OF NET ASSETS - CASH BASIS BUSINESS TYPE ACTIVITIES FUNDS

June 30, 2009

	Water Fund	Sewer Fund	Electric Fund	Totals
<i>ASSETS</i>				
Cash	\$ 177,512	\$ (283,320)	\$ 95,401	\$ (10,407)
Certificates of deposit - unrestricted	151,033	145,155	313,130	609,318
Certificates of deposit - sinking funds	22,261	24,086	30,726	77,073
Interfund loan receivable	---	31,847	---	31,847
Construction in process	---	2,479,734	---	2,479,734
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 350,806</u>	<u>\$ 2,397,502</u>	<u>\$ 439,257</u>	<u>\$ 3,187,565</u>
<i>LIABILITIES AND NET ASSETS</i>				
<i>Liabilities</i>				
Current liabilities				
Notes payable - current portion	\$ ---	\$ 42,000	\$ ---	\$ 42,000
Non current liabilities				
Notes payable - long term portion	---	1,005,000	---	1,005,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	---	1,047,000	---	1,047,000
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net assets</i>				
Unrestricted, undesignated	350,806	1,350,502	439,257	2,140,565
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 350,806</u>	<u>\$ 2,397,502</u>	<u>\$ 439,257</u>	<u>\$ 3,187,565</u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
CASH BASIS
BUSINESS TYPE ACTIVITIES FUNDS**

For the Year Ended June 30, 2009

	Water Fund	Sewer Fund	Electric Fund	Totals
<i>Revenue received</i>				
Water and sewer sales	\$ 104,823	\$ 175,479	\$ 321,420	\$ 601,722
Miscellaneous	13,527	---	1,630	15,157
Total revenue received	<u>118,350</u>	<u>175,479</u>	<u>323,050</u>	<u>616,879</u>
<i>Expenditures disbursed</i>				
Administration	69,334	70,479	62,351	202,164
Utilities	3,972	8,558	---	12,530
Maintenance and repairs	5,286	5,184	3,124	13,594
Wholesale power purchased	---	---	217,176	217,176
Capital expenditures	100	4,116	100	4,316
Total expenditures disbursed	<u>78,692</u>	<u>88,337</u>	<u>282,751</u>	<u>449,780</u>
Excess of revenue received over expenditures disbursed	<u>39,658</u>	<u>87,142</u>	<u>40,299</u>	<u>167,099</u>
<i>Non-operating revenue</i>				
Interest on investments	5,796	5,806	10,366	21,968
Debt service interest paid	---	(35,771)	---	(35,771)
Transfers in (out)	---	309,948	(16,004)	293,944
Total non-operating revenue	<u>5,796</u>	<u>279,983</u>	<u>(5,638)</u>	<u>280,141</u>
Changes in net assets	45,454	367,125	34,661	447,240
<i>Net assets, beginning of year</i>	<u>305,352</u>	<u>983,377</u>	<u>404,596</u>	<u>1,693,325</u>
<i>Net assets, end of year</i>	<u><u>\$ 350,806</u></u>	<u><u>\$ 1,350,502</u></u>	<u><u>\$ 439,257</u></u>	<u><u>\$ 2,140,565</u></u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA
STATEMENT OF CASH FLOWS - CASH BASIS
BUSINESS TYPE ACTIVITIES FUNDS

For the Year Ended June 30, 2009

	Water Fund	Sewer Fund	Electric Fund	Totals
<i>Cash flows from operating activities</i>				
Water and sewer sales	\$ 104,823	\$ 175,479	\$ 321,420	\$ 601,722
Cash paid to suppliers	(27,971)	(35,436)	(230,708)	(294,116)
Cash paid to employees	(50,721)	(52,901)	(52,043)	(155,665)
Other operating revenue	13,527	- - -	1,630	15,157
Net cash provided by operating activities	<u>39,658</u>	<u>87,142</u>	<u>40,299</u>	<u>167,099</u>
<i>Cash flows from capital and related financing activities</i>				
Acquisition of capital assets	- - -	(1,593,023)	- - -	(1,593,023)
Transfers in (out)	- - -	309,948	(16,004)	293,944
Net long term debt proceeds received	- - -	273,948	- - -	273,948
Net cash (used in) capital and related financing activities	<u>- - -</u>	<u>(1,009,127)</u>	<u>(16,004)</u>	<u>(1,025,131)</u>
<i>Cash flows from investing activities</i>				
Interest on investments	5,796	5,806	10,366	21,968
Interest reinvested into certificates	(5,094)	(5,482)	(10,115)	(20,691)
Net cash provided by investing activities	<u>702</u>	<u>324</u>	<u>251</u>	<u>1,277</u>
Net increase (decrease) in cash	40,360	(921,661)	24,546	(856,755)
Cash balance, beginning of year	<u>137,152</u>	<u>638,341</u>	<u>70,855</u>	<u>846,348</u>
Cash balance, end of year	<u>\$ 177,512</u>	<u>\$ (283,320)</u>	<u>\$ 95,401</u>	<u>\$ (10,407)</u>

**RECONCILIATION OF OPERATING
INCOME TO NET CASH PROVIDED
BY OPERATING ACTIVITIES**

Operating income	<u>\$ 39,658</u>	<u>\$ 87,142</u>	<u>\$ 40,299</u>	<u>\$ 167,099</u>
Net cash provided by operating activities	<u>\$ 39,658</u>	<u>\$ 87,142</u>	<u>\$ 40,299</u>	<u>\$ 167,099</u>

See accompanying notes to the basic financial statements.

**CITY OF LONG GROVE, IOWA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

Note 1 Summary of significant accounting policies

Reporting entity

The City Council of the City of Long Grove ("Council") is the basic level of government which has oversight and control over all activities relating to the City. The Council receives funding from local, county, and state sources and must comply with the concomitant requirements of these funding source entities. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP (generally accepted accounting principles). The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Since the Council does not exercise control over any other entities, no potential component units have been identified.

Basis of presentation

GOVERNMENT WIDE FINANCIAL STATEMENTS The statement of net assets and statement of activities display information about the City as a whole. They include all funds of the City. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS Fund financial statements of the City are organized into funds, each of which is considered a separate accounting entity. Funds are organized into two major categories: government and business-like activities. An emphasis is placed on major funds within the governmental and business-like categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria: (A) total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and (B) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Fund accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, receipts, and disbursements. Major individual governmental and business type funds are reported as separate columns in the fund financial statements. All remaining governmental funds are grouped into their fund types and reported with a separate column in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies, continued

Fund accounting, continued

The City has the following funds:

Governmental Fund Types

Governmental fund types are those funds through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the business type funds) are accounted for through governmental funds. The following comprise the City's major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City considers the total of this category of funds major and reports it that way. The City includes the following special revenue funds, all of which individually are non major:

<u>Fund</u>	<u>Brief Description</u>
Road Use Tax	Account for allocation of State shared revenues legally restricted to streets and alley improvements
Local Option Sales	Account for the revenues and expenditures of sales taxes imposed via referendum that is legally restricted via the language within the referendum
Debt Service	Account for revenue and expenditures legally restricted by statute to retirement of general obligation debt

Business Type Funds

Enterprise funds are used to account for business like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City includes the following enterprise funds as major business type funds:

Water Fund - Accounts for the revenues and expenses of the system responsible for the pumping, treatment and distribution of potable water to the citizens of the City.

Sewer Fund - Accounts for the revenues and expenses of the system responsible for the collection, treatment and disposition of wastewater generated by the citizens of the City.

Electric Fund - Accounts for the revenues and expenses of the system responsible for the distribution of electricity to the citizens of the City.

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies, continued

Measurement focus and basis of accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement focus

In the government-wide statement of net assets and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus as applied to the cash basis of accounting is used as appropriate: (A) all governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. (B) The business-like activities funds utilize an "economic resources" measurement focus, the accounting objectives of which are determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities (whether current or not) associated with their activities are reported, within the limitation of the cash basis as defined below. Fund equity is classified as net assets.

Basis of accounting

In the government-wide statement of net assets and statement of activities and the fund financial statements, government and business-like activities are presented using a cash basis. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions in the government wide and business-like fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of cash basis of accounting, certain assets and their related revenues, such as accounts receivable and certain liabilities and their related expenses such as accounts payable and other accrued items are not recorded in these statements.

The *Government Accounting Standards Board* (GASB) Statement No. 20 provides that all proprietary (business-type) funds must apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standard Board (FASB) Statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins. The City elected to apply all applicable FASB statements issued after November 30, 1989, except for those that conflict or contradict GASB pronouncements, and those in relation to the reporting of fixed assets.

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies, continued

Cash and cash equivalents

For the purpose of financial reporting, "cash and cash equivalents" include all demand accounts or money market savings accounts.

Investments

Investments consist of certificates of deposit and are stated at cost, which approximates market value.

Budgets and budgetary accounting

Budgets/appropriations for all funds of the City are adopted on the cash basis, which is not consistent with generally accepted accounting principles (GAAP). Budget/appropriation comparisons presented in this report are on this non-GAAP basis. This is both an acceptable and recommended basis of accounting. Appropriations/budgets approved through this process lapse at year end.

The overall budgetary comparison is reported as Required Supplementary Information.

Fixed assets

Government Wide Statements

In the government-wide financial statements, only fixed assets arising from cash transactions in relation to the wastewater treatment plant project are accounted for as assets in the statement of net assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation of exhaustible fixed assets arising from cash transactions used by either the governmental funds or the business type funds is charged as an expense in the statement of activities because the project is not yet completed and inoperation.

Fund Financial Statements

In the fund financial statements, fixed assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets acquired for use in the business type funds are accounted for the same as in the government-wide statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies, continued

Long term debt

All long term debt arising from cash transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements.

Long term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for business-type funds is the same in the fund financial statements as the treatment in the government-wide statements.

Equity classification

Government Wide Statements

Equity is classified as net assets and displayed in two components: (1) Restricted net assets consists of net assets with constraints placed on use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments or by law through constitutional provisions or enabling legislation, and (2) Unrestricted net assets consist of all other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Business type fund equity is classified the same as government-wide financial statements.

Interfund activities

In the process of aggregating the financial information for the government-wide financial statement of net assets and statement of activities, any amounts reported as interfund activity have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental and business type activity fund categories is reported in the fund financial statements as interfund transfers, which are the flow of assets from one fund to another where repayment is not expected and are reported as transfers in and out or as interfund loan payable / receivable where repayment is expected.

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies, continued

Estimates

The preparation of financial statements in conformity with the cash basis - other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures: accordingly, actual results could differ from these estimates.

Stewardship, compliance and accountability

By its nature as a local government unit, the City is subject to various federal, state and local laws and contractual regulations. No instances of noncompliance were noted.

Note 2 Cash, investments and restricted investments

The City maintains a cash pool for all funds. Investment income generally is allocated to the various funds based upon the funds' cash and investment balances. At year end the book amounts of the City's deposits was \$ 1,376,524 and the bank balances were \$ 1,392,012. This entire amount was covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of funds.

The City has adopted GASB No. 40, *Deposit and Investment Risk Disclosures*, which defines custodial credit risk as the risk that, in the event of the failure of the counterparty (the bank) the City will not be able to recover the value of its investments or collateral securities in the possession of the bank. The City's deposits are not exposed to custodial credit risk as of June 30, 2009.

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days, Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain open-end management companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTES TO FINANCIAL STATEMENTS

Note 2 Cash, investments and restricted investments , continued

At June 30, 2009 the City had the following investments:

Type	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
<u>Certificates of Deposit:</u>			
First Central State Bank	\$ 68,611	\$ 68,611	12-7-09
First Central State Bank	65,850	65,850	6-4-11
First Central State Bank	256,818	256,818	1-20-10
First Central State Bank	145,551	145,551	8-8-09
First Central State Bank	307,128	307,128	3-11-09
First Central State Bank	84,196	84,196	12-20-09
Totals	<u>\$ 928,154</u>	<u>\$ 928,154</u>	

At June 30, 2009 the City's investments were allocated between unrestricted and temporarily restricted – sinking funds as follows:

Type	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<u>Certificates of Deposit:</u>			
First Central State Bank	\$ 68,611	\$ 68,611	\$ ---
First Central State Bank	65,850	65,850	---
First Central State Bank	256,818	250,038	6,780
First Central State Bank	145,551	86,035	59,516
First Central State Bank	307,128	307,128	---
First Central State Bank	84,196	73,419	10,777
Totals	<u>\$ 928,154</u>	<u>\$ 851,081</u>	<u>\$ 77,073</u>

Note 3 Changes in long-term debt

The following is a summary of the long-term debt transactions of the City for the fiscal year ended June 30, 2009:

Debt payable at July 1, 2008	\$ 1,546,104
Debt assumed during the year	624,896
Principal repaid	<u>(82,000)</u>
Debt payable at June 30, 2009	<u>\$ 2,089,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 3 Changes in long-term debt, continued

Debt payable at June 30, 2009, is comprised of the following notes payable:

GOVERNMENTAL ACTIVITIES

General Obligation Sewer Bonds

May 14, 2008, \$ 1,088,000 bonds payable to the Iowa Finance Authority, to pay for the construction of the sewer project, due in semi-annual installments beginning December 1, 2008 of \$ 41,000 to \$ 71,000, plus interest at 3.00% and annual servicing fee of .25% of balance due, through June 1, 2028

\$ 1,042,000

BUSINESS TYPE ACTIVITIES

Sewer Revenue Bonds

May 14, 2008, \$ 1,088,000 bonds payable to the Iowa Finance Authority, to pay for the construction of the sewer project, due in semi-annual installments beginning December 1, 2008 of \$ 41,000 to \$ 71,000, plus interest at 3.00% and annual servicing fee of .25% of balance due, through June 1, 2028

1,047,000

\$ 2,089,000

Projected annual debt service requirements to maturity, including principal and interest as of June 30, 2009, are as follows:

Maturing during year ending June, 30	<u>General Obligation Debt</u>		<u>Business Type Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 42,000	\$ 31,408	\$ 42,000	\$ 31,410
2011	43,000	30,150	43,000	30,150
2012	44,000	28,860	44,000	28,860
2013	46,000	27,540	46,000	27,540
2014	47,000	26,160	47,000	26,160
2015-2019	256,000	108,840	256,000	108,840
2020-2024	297,000	68,040	297,000	68,040
2025-2028	<u>267,000</u>	<u>20,700</u>	<u>272,000</u>	<u>20,700</u>
	<u>\$ 1,042,000</u>	<u>\$ 341,698</u>	<u>\$ 1,047,000</u>	<u>\$ 341,700</u>

NOTES TO FINANCIAL STATEMENTS

Note 4 Property taxes

Property tax revenues have been recorded on the "cash basis", therefore, only property tax distributions received on or before June 30, 2009, are shown in the combined financial statements. Property taxes attach as an enforceable lien on property as of January 1. A certified copy of the levy ordinance is filed with the Scott County Auditor no later than the 15th day of March, and the county auditor extends the tax and the county treasurer collects the tax. This tax levy ordinance was adopted by the City on March 11, 2008. Taxes are due and payable in two installments established by statute (March 30 and September 30) and are collected primarily in these months. The county bills and collects all property taxes within its borders and then forwards the tax collected to the City.

A new debt service levy of \$ 1.66863 per thousand valuation was imposed by the Council effective with the levy certified as of March of 2008, and collectible this year, to provide the resources for the general obligation bond debt service.

Note 5 Pension plan

The City contributes to the Iowa Public Employees Retirement System (IPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Iowa Public Employees Retirement System, P.O. Box 9117 Des Moines, IA 50306-9117.

Regular plan members are required to contribute 3.9 percent of their annual covered salary, with the City contributing 6.05 percent. Part time police members contribution rates are 5.64 percent with the City contributing 8.47 percent. Contribution requirements are established by state statute. The City's contribution to IPERS was \$ 10,387 for the year ended June 30, 2009.

Note 6 Risk management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS

Note 7 Segment reporting

The GASB Statement Numbers 34 and 37 require reporting of certain condensed financial information on all major business type activities funds. All of this information can be found in the financial statements of individual funds, for the Water fund on page 39, Sewer fund on page 40, and the Electric fund on page 41.

Note 8 Compensated absences

City employees accumulate an unlimited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2009, which would be split among the general, road use and enterprise funds and based on rates of pay as of that date, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 8,704
Sick leave	42,935
Compensatory time in lieu of overtime	<u>2,115</u>
Total	<u>\$ 53,754</u>

Note 9 Commitments and contingencies

The City as of June 30, 2009 is obligated to \$ 65,355 on the contract for the sewer treatment plant project.

The City received a reimbursement grant of \$ 5,377 prior to June 30, 2009, from the State of Iowa for a bike path project completed by the City in prior years.

Note 10 Subsequent events

The City paid \$ 63,635 on the construction contract for the sewer treatment plant in October, 2009.

The City submitted a grant proposal prior to June 30, 2009, jointly with the City of Eldridge and Scott County, for the construction of a bike path linking Eldridge and Long Grove.

Note 11 Overall budgetary comparison

The City's budgetary compliance is presented on page 25 for all General, Special Revenue and Enterprise funds.

CITY OF LONG GROVE, IOWA

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CASH BASIS - ALL GOVERNMENTAL AND PROPRIETARY FUNDS

Required Supplementary Information

For the Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property taxes	\$ 233,982	\$ ---	\$ 233,982	\$ 232,656	\$ 233,825	\$ 157
Other city tax	78,580	---	78,580	80,569	112,888	(34,308)
Licenses and permits	6,637	---	6,637	2,475	6,475	162
Use of money and property	629	---	629	3,200	4,200	(3,571)
Intergovernmental	52,079	---	52,079	64,783	50,864	1,215
Charges for service	12,513	638,848	651,361	651,940	568,625	82,736
Miscellaneous	7,468	---	7,468	---	---	7,468
Total receipts	391,888	638,848	1,030,736	1,035,623	976,877	53,859
Disbursements:						
Public safety	32,951	---	32,951	36,765	36,765	3,814
Public works	120,634	---	120,634	102,783	129,000	8,366
Culture and recreation	40,392	---	40,392	52,671	52,671	12,279
Community and economic development	2,710	---	2,710	6,000	5,000	2,290
General government	38,763	---	38,763	76,076	43,502	4,739
Capital projects	19,783	---	19,783	73,100	73,100	53,317
Business type activities	---	449,780	449,780	648,440	2,119,290	1,669,510
Total disbursements	255,233	449,780	705,013	995,835	2,459,328	1,754,314
Excess of receipts over disbursements	136,655	189,068	325,723	39,788	(1,482,451)	1,808,173
Other financing sources (uses):						
Transfers (out)	(293,944)	---	(293,944)	(39,788)	(39,788)	(254,156)
Debt service paid	(71,504)	(35,771)	(107,275)	---	---	(107,275)
Debt proceeds received	309,948	---	309,948	---	---	309,948
Transfers in	---	293,944	293,944	---	143,047	150,897
Total other financing sources (uses)	(55,500)	258,173	202,673	(39,788)	103,259	99,414
Excess of receipts and other financing sources over disbursements and other (uses)	81,155	447,241	528,396	---	(1,379,192)	1,907,588
Fund balances (deficit), beginning of year	(185,515)	1,693,325	1,507,810	1,507,810	1,507,810	1,507,810
Fund balances (deficit), end of year	\$ (104,360)	\$ 2,140,566	\$ 2,036,206	\$ 1,507,810	\$ 128,618	\$ 3,415,397

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

OFFICIALS

June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack L Hill	Mayor	Jan 2010
Donald Abington, Jr.	Council Member	Jan 2012
Jim Ingram	Council Member	Jan 2012
Shannon Hambly	Council Member	Jan 2012
Keith Ehrecke	Council Member	Jan 2010
Jan Morrell	Council Member	Jan 2010
Susan Lensch Mahannah	Clerk/Treasurer	Indefinite

CITY OF LONG GROVE, IOWA
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES
CASH BASIS

GENERAL FUND

June 30, 2009 and 2008

		June 30,	
		<u>2009</u>	<u>2008</u>
<i>ASSETS</i>			
Cash		\$ 385,480	\$ 300,646
Certificates of deposit		<u>16,790</u>	<u>16,251</u>
Total		<u>\$ 402,270</u>	<u>\$ 316,897</u>
 <i>FUND EQUITY</i>			
Fund balance - undesignated		<u>\$ 402,270</u>	<u>\$ 316,897</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCE - CASH BASIS COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008
	Final Budget	Actual	Variance- favorable (unfavorable)	Actual
<i>Revenue received</i>				
Property taxes	\$ 233,825	\$ 195,325	\$ (38,500)	\$ 173,775
Franchise fees	6,300	4,584	(1,716)	6,207
Fines	---	92	92	---
Reimbursement	39,788	---	(39,788)	---
Building and construction	6,000	6,123	123	2,426
Miscellaneous charges	12,080	7,062	(5,018)	15,172
Alcohol control	400	439	39	829
Cigarette permits	75	75	---	38
Grant received	---	7,377	7,377	9,010
Interest	4,200	629	(3,571)	1,242
Charges / fees	945	866	(79)	1,401
Total revenue	<u>\$ 303,613</u>	<u>222,572</u>	<u>\$ (81,041)</u>	<u>210,100</u>
<i>Expenditures disbursed</i>				
Public safety	36,765	32,951	3,814	34,505
Public works	39,000	38,387	613	36,102
Culture and recreation	52,671	40,392	12,279	40,333
Community and economic development	5,000	2,710	2,290	2,548
General government	43,502	38,763	4,739	43,577
Total expenditures disbursed	<u>\$ 176,938</u>	<u>153,203</u>	<u>\$ 23,735</u>	<u>157,065</u>
Excess of revenue received over expenditures disbursed		69,369		53,035
<i>Other financing sources (uses)</i>				
Transfers in	\$ 39,788	16,004	\$ (23,784)	---
Transfers out	(39,788)	---	(39,788)	---
Total other financing sources (uses)	<u>\$ ---</u>	<u>16,004</u>	<u>\$ (63,572)</u>	<u>---</u>
Excess of revenue received over expenditures disbursed and other financing sources (uses)		85,373		53,035
<i>Fund balance, beginning of year</i>		<u>316,897</u>		<u>263,862</u>
<i>Fund balance, end of year</i>		<u>\$ 402,270</u>		<u>\$ 316,897</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF EXPENDITURES DISBURSED, BY DIVISION CASH BASIS - COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008 Actual
	Final Budget	Actual	Variance- favorable (unfavorable)	
<i>Public safety & public works</i>				
<i>Police Operations</i>				
Salaries	\$ 15,120	\$ 12,383	\$ 2,737	\$ 9,726
Payroll taxes	---	---	---	744
Iowa Public Employees Retirement	---	---	---	824
Other benefits	300	110	190	---
Association dues	300	---	300	829
Vehicle operations	4,550	4,427	123	2,814
Electric and gas	1,000	778	222	1,400
Court and record	150	90	60	---
Office supplies	678	496	182	1,168
Total police operations	22,098	18,284	3,814	17,505
<i>Fire Department</i>				
Other Contractual services	14,667	14,667	---	17,000
Total fire department	14,667	14,667	---	17,000
Total public safety	\$ 36,765	\$ 32,951	\$ 3,814	\$ 34,505
<i>Public Works</i>				
Garbage collection services	39,000	38,387	613	36,102
Total public works	\$ 39,000	\$ 38,387	\$ 613	\$ 36,102

CITY OF LONG GROVE, IOWA

STATEMENT OF EXPENDITURES DISBURSED, BY DIVISION CASH BASIS - COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009		Variance-	2008
	Final	Actual	favorable	Actual
	Budget		(unfavorable)	
<i>Culture and recreation: Community and economic development</i>				
<i>Culture and recreation</i>				
Library				
Other contractual services	\$ 19,671	\$ 19,671	\$ ---	\$ 19,373
Parks				
Grounds maintenance	15,000	14,877	123	12,446
Other maintenance	15,000	2,844	12,156	5,514
Total parks department	30,000	17,721	12,279	17,960
Community center				
Other contractual services	3,000	3,000	---	3,000
Total culture and recreation	<u>\$ 52,671</u>	<u>\$ 40,392</u>	<u>\$ 12,279</u>	<u>\$ 40,333</u>
<i>Community and economic development</i>				
Community beautification				
Community beautification	\$ 1,000	\$ 193	\$ 807	\$ 672
Economic development				
Legal expense	4,000	---	4,000	1,276
Printing and publications	---	2,517	(2,517)	600
Total economic development	4,000	2,517	1,483	1,876
Total community and economic development	<u>\$ 5,000</u>	<u>\$ 2,710</u>	<u>\$ 2,290</u>	<u>\$ 2,548</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF EXPENDITURES DISBURSED, BY DIVISION CASH BASIS - COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			
	Final Budget	Actual	Variance- favorable (unfavorable)	2008 Actual
<i>General government</i>				
Mayor, Council and city manager				
Other pay	\$ 5,000	\$ 4,788	\$ 212	\$ 5,139
Clerk, treasurer				
Salaries	16,873	14,184	2,689	11,333
Payroll taxes	832	889	(57)	1,556
Iowa public employees retirement	690	1,028	(338)	683
Other benefits	4,607	3,335	1,272	4,694
Meetings and conferences	1,500	1,382	118	1,642
Total clerk, treasurer	24,502	20,818	3,684	19,908
City attorney				
Legal expense	1,000	609	391	344
City hall				
Utilities	3,800	3,038	762	3,760
Maintenance and repairs	---	533	(533)	370
Insurance	---	---	---	40
Printing and publications	---	2,312	(2,312)	3,638
Office supplies	5,200	2,878	2,322	2,393
Office equipment	---	---	---	98
Total city hall	9,000	8,761	239	10,299
Tort liability				
Insurance expense	4,000	3,787	213	4,298
Other general government				
Engineering expense	---	---	---	3,589
Total general government	\$ 43,502	\$ 38,763	\$ 4,739	\$ 43,577

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
CASH BASIS

SPECIAL REVENUE FUNDS

June 30, 2009 and 2008

	Road Use Tax Fund	Local Option Sales Tax	Debt Service	June 30,	
				2009	2008
ASSETS					
Cash	\$ (42,323)	\$ 116,620	\$ (1,000)	\$ 73,297	\$ 51,959
Certificates of deposit	77,769	147,203	---	224,972	218,681
Total	<u>\$ 35,446</u>	<u>\$ 263,823</u>	<u>\$ (1,000)</u>	<u>\$ 298,269</u>	<u>\$ 270,640</u>
LIABILITIES					
Interfund loan payable	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 31,847</u>	<u>\$ 31,847</u>	<u>\$ ---</u>
FUND BALANCES					
Fund balance (deficit) - restricted	<u>35,446</u>	<u>263,823</u>	<u>(32,847)</u>	<u>266,422</u>	<u>270,640</u>
Total liabilities and fund balance (deficit)	<u>\$ 35,446</u>	<u>\$ 263,823</u>	<u>\$ (1,000)</u>	<u>\$ 298,269</u>	<u>\$ 270,640</u>

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF REVENUE RECEIVED, EXPENDITURES
DISBURSED AND CHANGES IN FUND BALANCES - CASH BASIS

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	Road Use Tax	Local Option Sales Tax	Debt Service	Totals
				2009 2008
Revenue received				
Property taxes	\$ ---	\$ ---	\$ 38,657	\$ ---
Road use taxes	49,533	---	---	51,149
Sales taxes	---	74,326	---	77,801
Interest	2,546	4,254	---	11,564
Total revenue received	52,079	78,580	38,657	140,514
Expenditures disbursed				
Roads, bridges, sidewalks	82,247	---	---	82,247
Capital projects	---	19,783	---	19,783
Debt service paid	---	---	71,504	71,504
Total expenditures disbursed	82,247	19,783	71,504	173,534
Excess (deficiency) of revenue received over expenditures disbursed	(30,168)	58,797	(32,847)	4,804
Other financing sources (uses)				
General obligation debt receipts	---	---	309,948	773,052
Transfers out	---	---	(309,948)	(773,052)
Total other financing sources (uses)	---	---	---	---
Excess (deficiency) of revenue received over expenditures disbursed and other financing sources (uses)	(30,168)	58,797	(32,847)	4,804
Fund balance, beginning of year	65,614	205,026	---	265,836
Fund balance (deficit) , end of year	\$ 35,446	\$ 263,823	\$ (32,847)	\$ 270,640

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCE CASH BASIS - COMPARED TO BUDGET

ROAD USE TAX FUND

For the Year Ended June 30, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008
	Final Budget	Actual	Variance- favorable (unfavorable)	Actual
<i>Revenue received</i>				
Road use taxes	\$ 50,864	\$ 49,533	\$ (1,331)	\$ 51,149
Interest	---	2,546	2,546	3,652
Total revenue received	<u>\$ 50,864</u>	<u>52,079</u>	<u>\$ 1,215</u>	<u>54,801</u>
<i>Expenditures disbursed</i>				
Salaries	\$ 25,282	24,767	\$ 515	23,825
Payroll taxes	1,934	1,899	35	2,445
Iowa public employees retirement	1,605	1,444	161	1,492
Vehicle operations	3,000	5,001	(2,001)	6,591
Other maintenance and repairs	---	8,064	(8,064)	5,061
Payments to others	15,162	15,163	(1)	15,162
Street maintenance	12,300	3,202	9,098	1,970
Posts / signs	500	211	289	---
Streets	30,217	22,496	7,721	16,622
Total expenditures disbursed	<u>\$ 90,000</u>	<u>82,247</u>	<u>\$ 7,753</u>	<u>73,168</u>
(Deficiency) of revenue received over expenditures disbursed		(30,168)		(18,367)
<i>Other financing sources</i>				
Transfers in	<u>\$ 13,919</u>	<u>---</u>	<u>\$ (13,919)</u>	<u>---</u>
(Deficiency) of revenue received over expenditures disbursed and other financing sources		(30,168)		(18,367)
<i>Fund balance, beginning of year</i>		<u>65,614</u>		<u>83,981</u>
<i>Fund balance, end of year</i>		<u>\$ 35,446</u>		<u>\$ 65,614</u>

CITY OF LONG GROVE, IOWA

**STATEMENT OF REVENUE RECEIVED, EXPENDITURES
DISBURSED AND CHANGES IN FUND BALANCE
CASH BASIS - COMPARED TO BUDGET**

LOCAL OPTION SALES TAX FUND

For the Year Ended June 30, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- favorable (unfavorable)</u>	2008 <u>Actual</u>
<i>Revenue received</i>				
Local option sales tax	\$ 68,000	\$ 74,326	\$ 6,326	\$ 77,801
Interest	5,100	4,254	(846)	7,912
Total revenue received	<u>\$ 73,100</u>	<u>78,580</u>	<u>\$ 5,480</u>	<u>85,713</u>
<i>Expenditures disbursed</i>				
Capital projects				
Vehicles	\$ 5,500	---	\$ 5,500	---
Office equipment	2,300	---	2,300	---
Other capital equipment	35,200	7,954	27,246	51,111
Infrastructure	9,000	---	9,000	---
Other capital outlay	21,100	11,829	9,271	11,431
Total expenditures disbursed	<u>\$ 73,100</u>	<u>19,783</u>	<u>\$ 53,317</u>	<u>62,542</u>
Excess of revenue received over expenditures disbursed		58,797		23,171
<i>Fund balance, beginning of year</i>		<u>205,026</u>		<u>181,855</u>
<i>Fund balance, end of year</i>		<u>\$ 263,823</u>		<u>\$ 205,026</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCE CASH BASIS - COMPARED TO BUDGET

DEBT SERVICE FUND

For the Year Ended June 30, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			
	Final Budget	Actual	Variance- favorable (unfavorable)	Actual Actual
<i>Revenue received</i>				
Property taxes	\$ ---	38,657	\$ (38,657)	\$ -
Interest	---	---	---	---
Total revenue received	<u>\$ ---</u>	<u>38,657</u>	<u>\$ (38,657)</u>	<u>---</u>
<i>Expenditures disbursed</i>				
Debt service paid				
Principal paid	\$ ---	41,000	\$ (41,000)	---
Interest paid	---	30,504	(30,504)	---
Total expenditures disbursed	<u>\$ ---</u>	<u>71,504</u>	<u>\$ (71,504)</u>	<u>---</u>
(Deficiency) of revenue received over expenditures disbursed		(32,847)		---
<i>Other financing sources (uses)</i>				
General obligation debt receipts	\$ ---	309,948	\$ (309,948)	773,052
Transfers out	---	(309,948)	309,948	(773,052)
Total other financing sources (uses)	<u>\$ ---</u>	<u>---</u>	<u>\$ ---</u>	<u>---</u>
(Deficiency) of revenue received over expenditures disbursed and other financing sources (uses)		(32,847)		---
<i>Fund balance, beginning of year</i>		---		---
<i>Fund (deficit), end of year</i>		<u>\$ (32,847)</u>		<u>\$ ---</u>

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS

ENTERPRISE FUNDS

June 30, 2009 and 2008

ASSETS

	Water Fund	Sewer Fund	Electric Fund	Totals
				2009 2008
Cash	\$ 177,512	\$ (283,320)	\$ 95,401	\$ (10,407) \$ 846,348
Certificates of deposit - unrestricted	151,033	145,155	313,130	609,318 591,421
Certificates of deposit - sinking funds	22,261	24,086	30,726	77,073 74,687
Interfund loan receivable	---	31,847	---	31,847 ---
Construction in process	---	2,479,734	---	2,479,734 953,921
Total assets	\$ 350,806	\$ 2,397,502	\$ 439,257	\$ 3,187,565 \$ 2,466,377

LIABILITIES AND NET ASSETS

Liabilities				
Notes payable	\$ ---	\$ 1,047,000	\$ ---	\$ 1,047,000 \$ 773,052
Net assets				
Undesignated, unreserved	350,806	1,350,502	439,257	2,140,565 1,693,325
Total net assets	350,806	1,350,502	439,257	2,140,565 1,693,325
Total liabilities and net assets	\$ 350,806	\$ 2,397,502	\$ 439,257	\$ 3,187,565 \$ 2,466,377

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED
AND CHANGES IN NET ASSETS - CASH BASIS

ENTERPRISE FUNDS

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	Water Fund	Sewer Fund	Electric Fund	Totals
				2009
				2008
Revenue received				
Utility sales	\$ 104,823	\$ 175,479	\$ 321,420	\$ 489,530
Miscellaneous	13,527	---	1,630	15,157
Total revenue received	118,350	175,479	323,050	505,246
Expenditures disbursed				
Salaries and benefits	50,721	52,901	52,043	146,992
Meetings / training	2,111	1,978	2,146	3,365
Utilities	3,972	8,558	---	461
Maintenance and repairs	5,286	5,184	3,124	8,380
Insurance	3,787	5,171	3,787	12,892
Wholesale power purchased	---	---	217,176	204,916
Other office expenses	12,715	10,429	4,375	37,629
Capital expenditures	100	4,116	100	58,014
Total expenditures disbursed	78,692	88,337	282,751	472,649
Excess of revenue received over expenditures disbursed	39,658	87,142	40,299	32,597
Other financing sources (uses)				
Interest on investments	5,796	5,806	10,366	32,437
Debt service interest paid	---	(35,771)	---	---
Transfers in (out)	---	309,948	(16,004)	773,052
Total other financing sources (uses)	5,796	279,983	(5,638)	805,489
Changes in net assets	45,454	367,125	34,661	838,086
Net assets, beginning of year	305,352	983,377	404,596	855,239
Net assets, end of year	\$ 350,806	\$ 1,350,502	\$ 439,257	\$ 1,693,325

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN NET ASSETS CASH BASIS - COMPARED TO BUDGET

WATER FUND

For the Year Ended June 30, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008
	Final Budget	Actual	Variance- favorable (unfavorable)	Actual
<i>Revenue received</i>				
Water sales	\$ 110,000	\$ 104,823	\$ (5,177)	\$ 97,474
Miscellaneous	6,900	13,527	6,627	14,022
Total revenue	<u>\$ 116,900</u>	<u>118,350</u>	<u>\$ 1,450</u>	<u>111,496</u>
<i>Expenditures disbursed</i>				
Salaries	\$ 36,155	38,355	\$ (2,200)	34,613
Payroll taxes	2,766	3,043	(277)	3,385
Iowa public employees retirement	2,296	2,472	(176)	2,174
Employee insurance	6,500	6,851	(351)	7,743
Meetings and conferences	1,000	2,111	(1,111)	991
Utilities	2,300	3,972	(1,672)	---
Other maintenance and repairs	6,000	5,286	714	3,556
Engineering	500	---	500	---
Insurance	4,000	3,787	213	4,298
Legal	1,000	778	222	813
Testing	1,000	778	222	1,648
Office supplies	12,300	11,159	1,141	13,309
Other capital expenditures	100	100	0	1,488
Other capital outlay	14,083	---	14,083	37,511
Total expenditures disbursed	<u>\$ 90,000</u>	<u>78,692</u>	<u>\$ 11,308</u>	<u>111,529</u>
Excess (deficiency) of revenue received over expenditures disbursed		39,658		(33)
<i>Non-operating revenue</i>				
Interest on investments	<u>\$ 6,000</u>	<u>5,796</u>	<u>\$ (204)</u>	<u>9,346</u>
Changes in net assets		45,454		9,313
<i>Net assets, beginning of year</i>		<u>305,352</u>		<u>296,039</u>
<i>Net assets, end of year</i>		<u>\$ 350,806</u>		<u>\$ 305,352</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN NET ASSETS CASH BASIS - COMPARED TO BUDGET

SEWER FUND

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008
	Final Budget	Actual	Variance- favorable (unfavorable)	Actual
<i>Revenue received</i>				
Sewer sales	\$ 84,670	\$ 175,479	\$ 90,809	\$ 94,837
Miscellaneous	---	---	---	500
Total revenue	<u>\$ 84,670</u>	<u>175,479</u>	<u>\$ 90,809</u>	<u>95,337</u>
<i>Expenditures disbursed</i>				
Salaries	\$ 36,155	40,309	\$ (4,154)	34,598
Payroll taxes	2,766	3,162	(396)	3,235
Iowa public employees retirement	2,296	2,389	(93)	2,174
Employee insurance	7,083	7,041	42	7,744
Meetings and conferences	1,000	1,978	(978)	452
Utilities	15,000	8,558	6,442	461
Other maintenance and repairs	8,000	2,899	5,101	1,635
Engineering	1,000	2,285	(1,285)	890
Insurance	5,500	5,171	329	4,297
Legal	5,000	1,149	3,851	2,350
Testing	3,200	5,339	(2,139)	5,452
Office supplies	2,300	3,067	(767)	4,537
Operating supplies	8,000	874	7,126	1,528
Other capital outlay	1,593,090	162	1,592,928	---
Other capital expenditures	3,170	3,954	(784)	---
Total expenditures disbursed	<u>\$ 1,693,560</u>	<u>88,337</u>	<u>\$ 1,605,223</u>	<u>69,353</u>
Excess of revenue received over expenditures disbursed		87,142		25,984
<i>Other financing sources (uses)</i>				
Interest on investments	\$ 6,000	5,806	\$ (194)	9,145
Debt service interest paid	---	(35,771)	35,771	---
Transfers in	89,340	309,948	(220,608)	773,052
Total other financing sources	<u>\$ 95,340</u>	<u>279,983</u>	<u>\$ (185,030)</u>	<u>782,197</u>
Changes in net assets		367,125		808,181
<i>Net assets, beginning of year</i>		<u>983,377</u>		<u>175,196</u>
<i>Net assets, end of year</i>		<u>\$ 1,350,502</u>		<u>\$ 983,377</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN NET ASSETS CASH BASIS - COMPARED TO BUDGET

ELECTRIC FUND

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008
	Final Budget	Actual	Variance- favorable (unfavorable)	Actual
<i>Revenue received</i>				
Electric sales	\$ 323,000	\$ 321,420	\$ (1,580)	\$ 297,219
Miscellaneous	730	1,630	900	1,194
Total revenue	<u>\$ 323,730</u>	<u>323,050</u>	<u>\$ (680)</u>	<u>298,413</u>
<i>Expenditures disbursed</i>				
Salaries	\$ 39,155	39,298	\$ (143)	36,462
Payroll taxes	2,766	3,137	(371)	4,361
Iowa public employees retirement	2,296	2,630	(334)	2,174
Employee insurance	7,083	6,978	105	8,329
Meetings and conferences	1,000	2,146	(1,146)	1,922
Operational equipment	---	---	---	221
Other maintenance and repairs	---	3,124	(3,124)	2,078
Engineering	4,000	---	4,000	---
Insurance	5,500	3,787	1,713	4,297
Legal	1,000	668	332	1,375
Testing	2,000	---	2,000	---
Wholesale power	220,000	217,176	2,824	204,916
Office supplies	2,300	2,800	(500)	3,122
Operating supplies	---	907	(907)	3,495
Other capital expenditures	12,000	---	12,000	18,430
Other capital outlays	36,630	100	36,530	585
Total expenditures disbursed	<u>\$ 335,730</u>	<u>282,751</u>	<u>\$ 52,979</u>	<u>291,767</u>
Excess of revenue received over expenditures disbursed		40,299		6,646
<i>Other financing sources (uses)</i>				
Interest on investments	\$ 12,000	10,366	\$ (1,634)	13,946
Transfers out	---	(16,004)	(16,004)	---
Total other financing sources (uses)	<u>\$ 12,000</u>	<u>(5,638)</u>	<u>\$ (17,638)</u>	<u>13,946</u>
Changes in net assets		34,661		20,592
<i>Net assets, beginning of year</i>		<u>404,596</u>		<u>384,004</u>
<i>Net assets, end of year</i>		<u>\$ 439,257</u>		<u>\$ 404,596</u>

Tom Engelmann, CPA

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To the Mayor and City Council
City of Long Grove, Iowa
Long Grove, Iowa

I have audited the financial statements of the City of Long Grove, Iowa for the year ended June 30, 2009, and have issued my report dated December 22, 2009. Professional standards require that I provide you with the following information related to my audit.

My responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133.

As stated in my engagement letter of March 30, 2009, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with cash basis accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

In planning and performing my audit, I considered the City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on the compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit. Also, in accordance with OMB Circular A-133, I examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to the major federal program for the purpose of expressing an opinion on the City's compliance with those requirements. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination of the City's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies of the City of Long Grove, Iowa, are described in Note 1 of the financial statements.

I noted the only significant and unusual transactions entered into by the City during the year involved the receipt of the bond proceeds and disbursement of construction expenditures in relation to the new wastewater treatment plant

Accounting Estimates

Accounting estimates are in integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility of future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements involves the completion and initiation into use of the new wastewater treatment plant currently under construction. Management's estimate is based on expected completion dates and timelines for the State of Iowa Department of Natural Resources approval for operation. I evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). Due to procedures in place regarding the accounting for the bond proceeds received and payments made, significant audit adjustments were recorded in these areas. In my judgment, these adjustments indicate matters that have a significant effect on the City's financial reporting process.

Disagreements with management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all of the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues discussed prior to retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Difficulties encountered in performing the audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Other comments

I have included additional comments regarding the financial statements and operations. These comments are not a result of in-depth study of any specific areas but are based on observations made during the course of my audit. My observations indicate that the overall financial operations of the City continue to be conducted in an efficient and effective manner.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Long Grove, Iowa, and other parties to whom the City of Long Grove, Iowa, may report, and is not intended to be and should not be used by anyone other than those specified parties.

I will be happy to discuss these or any other topics at your convenience. I would like to take this opportunity to express my appreciation to you and your staff for the fine cooperation that I received during the course of the audit.

A handwritten signature in cursive script, reading "Tom Engelmann". To the right of the signature is a circular stamp containing the letters "CPA".

Davenport, Iowa

December 22, 2009

**CITY OF LONG GROVE, IOWA
OTHER COMMENTS**

June 30, 2009

SEGREGATION OF DUTIES

During my audit I noted the City has a lack of segregation of duties due to its size and staffing levels. As hiring additional employees to possibly circumvent this situation is not usually cost-beneficial, I recommend the City Council maintain appropriate oversight of management to ensure adequate controls in this area. In addition, I recommend the City review its internal control procedures to obtain the maximum internal control possible under the circumstances.